



877 North 8th West
Riverton, WY 82501 USA

Ph: (307) 856-9271
Fx: (307) 857-3050
www.usnrg.com

January 22, 2008

Ms. Susan M. White
Mine Program Coordinator
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West Temple, Suite 1210
PO Box 145801
Salt Lake City, UT 84114-5801

Re: 2007 Annual Reports for Tony M/Lucky Strike, Frank M, Velvet Mines and Green River South Exploration Project

Dear Ms. White:

Please find enclosed the completed 2007 annual reports for the Tony M/Lucky Strike Mine Permit No. M170001, Frank M Mine Permit No. S170017, Velvet Mine Permit No. M370040 and Green River South Exploration project Permit No. E/015/0077. The status for the three mine sites are reclaimed awaiting release and the exploration project is that all sites are reclaimed and project has been sold and awaiting completion of transfer to new owner.

Should you have any questions I can be contacted at (307) 856-9271.

Sincerely,
U.S. Energy Corp.

A handwritten signature in blue ink, appearing to read "Fred Craft".

Fred Craft
VP Engineering

Enclosures (4)

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JAN 31 2008

DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple - Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

LARGE MINING OPERATIONS 2007 PROGRESS REPORT
January 1, 2007 to December 31, 2007

The information required in this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, and the rules as under the Utah Minerals Regulatory Program.

1. Mine Permit Number: MO17001
2. Mine Name: Tony M
3. Name of Operator/Permittee: U.S. Energy Corp
Note: If Operator's address, company representative or phone number have changed, please provide a replacement page to the Notice of Intention.
4. Mine Location: Section 16, Township 35S, Range 11E, Garfield County, UT
5. Report the gross amount of ore mined and waste moved, as well as the arrangement, positioning, or distribution of the material:
Gross Ore Mined none Tons, or _____ yd³
Waste Material Moved none Tons, or _____ yd³
New Disturbance none Acres during 2007
Area Reclaimed none Acres during 2007
Total Disturbed Area 23.95 Acres*
Was the ore shipped off site? If not, where is the ore located? no

Where is the waste located? none mined

*Total life of mine disturbance to the end of 2007.

6. Briefly describe the reclamation work performed during the past year. A map showing reclaimed areas and dates is suggested. (Submit form MR-SITE for an application for full or partial bond/site release).
Mine site fully reclaimed awaiting vegetation growth
7. Include an updated map depicting surface disturbance and reclamation performed during the year, prepared in accordance with Rule R647-4-105.

I hereby certify, under penalties of law, the information provided in this report is true and correct to the best of my knowledge and belief.

Name (Typed or Print): Fred Craft
Title of Operator: V.P. Engr.
Signature of Operator: Fred Craft
Date: Jan 22, 2008

Reviewed
2/13/08
MJB

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